

SWELLENDAM

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2011

SWELLENDAM LOCAL MUNICIPALITY

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SWELLENDAM LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

Swellendam is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Swellendam includes the following areas:

Swellendam

Barrydale

Suurbraak

Buffeljagsrivier

Malagas

Infanta

MAYOR

Mr N. Myburgh

MAYORAL COMMITTEE

Mr N. Myburgh - Executive Mayor

Mr J. Matthysen - Deputy Mayor

Mr H. Hartnick - Member

MUNICIPAL MANAGER

Mr N Nel

CHIEF FINANCIAL OFFICER

Mr H Krapohl

REGISTERED OFFICE

49 Voortrek Street

SWELLENDAM

6740

AUDITORS

Office of the Auditor General (WC),

Private Bag X1,

Chempet, 7442

PRINCIPLE BANKERS

FNB Swellendam, P.O. Box 10, Swellendam

ATTORNEYS

Powell Kelly Veldman, P.O. Box 18, Swellendam

SWELLENDAM LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

SWELLENDAM LOCAL MUNICIPALITY

MEMBERS OF THE SWELLENDAM LOCAL MUNICIPALITY (SINCE 6 JUNE 2011)

WARD	COUNCILLOR
Ward 1	Cllr J. du Toit Loubser
Ward 2	Cllr M.T.A. Swart
Ward 3	Cllr H. Hartnick
Ward 4	Cllr M.J. Koch
Ward 5	Cllr D.C. Pietersen
Proportional	Cllr N. Myburgh
Proportional	Cllr J.A. Matthysen
Proportional	Cllr G. Libazi
Proportional	Cllr J.C. Nortje

APPROVAL OF FINANCIAL STATEMENTS

The Local Government : Finance Management Act, 2003, as amended, states in section 126(1)(a) as follows:

“The accounting officer of a municipality must prepare the Annual Financial Statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.”

The Municipal Manager, Mr. N. Nel was on special leave / absent from office (refer notes 39.2 and further detail) from 29 July 2010 to 5 August 2011 and can therefore not accept responsibility as accounting officer for that period. On his return to office he was informed that the municipality would not be in a position to submit Annual Financial Statements to the Auditor-General by 31 August 2011 and the appropriate stakeholders were advised of the revised submission date of 31 January 2012.

These financial statements, set out on page 1 – 63 were submitted by the Chief Financial Officer, who has signed responsibility for:

1. The preparation of these financial statements, and

2.

To certify that the salaries, allowances and benefits of councillors as disclosed in note 25 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr N Nel
MUNICIPAL MANAGER

Date: _____

Mr J Krapohl
CHIEF FINANCIAL OFFICER

Date: _____

SWELLENDAM LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R (Actual)	2010 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		103 585 345	80 418 118
Capital Replacement Reserve	2	-	-
Housing Development fund	2	4 014 818	3 929 507
Accumulated Surplus/(Deficit)		99 570 527	76 488 611
Non-Current Liabilities		45 016 822	23 130 769
Long-term Liabilities	3	37 247 755	16 341 662
Employee benefits	4	7 769 067	6 789 107
Non-Current Provisions	5	-	-
Current Liabilities		32 523 245	63 518 230
Consumer Deposits	6	1 014 363	945 399
Current Employee benefits	7	3 895 089	3 443 426
Provisions	8	-	-
Payables from Exchange Transactions	9	14 946 456	17 614 382
Unspent Conditional Government Grants and Receipts	10	11 186 375	40 237 785
Current Portion of Long-term Liabilities	3	1 480 962	1 277 238
Total Net Assets and Liabilities		181 125 414	167 067 118
ASSETS			
Non-Current Assets		144 672 354	114 480 869
Property, Plant and Equipment	12	141 015 444	110 650 266
Investment Property	13	2 508 635	2 508 635
Intangible Assets	14	572 827	677 547
Long-Term Receivables	15	575 448	644 421
Current Assets		36 453 060	52 586 249
Inventory	16	976 061	487 804
Receivables from exchange transactions	17	9 952 050	7 689 822
Receivables from non-exchange transactions	18	6 888 248	5 569 556
Unpaid Conditional Government Grants and Receipts	10	-	544 885
Operating Lease Asset	19.1	1 498	1 134
Taxes	11	2 888 684	354 606
Current Portion of Long-term Receivables	15	65 126	59 916
Cash and Cash Equivalents	20	15 681 392	37 878 525
Total Assets		181 125 414	167 067 118

SWELLENDAM LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 (Actual) R	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		77 016 755	55 997 732	401 234	55 596 498
Taxation Revenue		19 400 299	18 644 557	-	18 644 557
Property Rates	21	19 400 299	18 644 557	-	18 644 557
Transfer Revenue		56 093 177	35 499 697	401 234	35 098 464
Government Grants and Subsidies - Capital	22	34 702 761	16 963 447	3 243 096	13 720 351
Government Grants and Subsidies - Operating	22	21 390 416	18 536 250	(2 841 862)	21 378 112
Other Revenue		1 523 280	1 853 478	-	1 853 478
Fines		1 523 280	1 853 478	-	1 853 478
Revenue from Exchange Transactions		64 050 797	53 308 402	(3 779 603)	57 088 004
Service Charges	23	56 577 364	46 094 764	(3 075 083)	49 169 847
Rental of Facilities and Equipment		972 490	776 749	-	776 749
Interest Earned - external investments		2 136 795	1 409 003	40 855	1 368 148
Interest Earned - outstanding debtors		1 335 545	2 017 632	-	2 017 632
Licences and Permits		899 704	921 235	(61 912)	983 147
Agency Services		978 395	937 454	(370 314)	1 307 769
Other Income	24	966 774	1 151 564	(313 149)	1 464 713
Gain on disposal of Property, Plant & Equipment		183 729	-	-	-
Total Revenue		141 067 552	109 306 134	(3 378 369)	112 684 503
EXPENDITURE					
Employee related costs	25	38 205 966	35 862 586	1 026 380	34 836 207
Remuneration of Councillors	26	2 473 607	2 467 673	-	2 467 673
Debt Impairment	27	6 835 857	8 653 315	-	8 653 315
Depreciation and Amortisation		8 862 040	8 754 110	(1 060 472)	9 814 582
Repairs and Maintenance		13 006 645	11 456 553	(2 937 572)	14 394 125
Actuarial losses	4	1 119 829	73 828	-	73 828
Finance Charges	28	4 655 570	2 466 580	-	2 466 580
Bulk Purchases	29	22 786 713	16 672 706	(331 952)	17 004 657
Grants and Subsidies Paid	30	1 250 000	300 000	-	300 000
Operating Grant Expenditure		7 063 439	4 933 241	-	4 933 241
General Expenses	31	11 617 739	13 180 127	(2 754 551)	15 934 678
Loss on disposal of Property, Plant and Equipment		22 918	-	-	-
Total Expenditure		117 900 325	104 820 719	(6 058 167)	110 878 886
NET SURPLUS FOR THE YEAR		23 167 227	4 485 415	2 679 798	1 805 616

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2009	3 865 581	7 285 965	69 636 315	80 787 861
Correction of error - Refer note 32.08	-	-	(4 855 157)	(4 855 157)
Restated Balance at 1 JULY 2009	3 865 581	7 285 965	64 781 158	75 932 703
Net Surplus for the year	-	-	4 485 415	4 485 415
Transfer from CRR	-	(7 285 965)	7 285 965	-
Transfer to Housing Development Fund	63 927	-	(63 927)	-
Restated Balance at 30 JUNE 2010	3 929 507	-	76 488 611	80 418 118
Net Surplus for the year	-	-	23 167 227	23 167 227
Transfer to Housing Development Fund	85 311	-	(85 311)	-
Balance at 30 JUNE 2011	4 014 818	-	99 570 527	103 585 345

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		75 202 945	69 589 278
Government - operating		21 390 416	18 536 250
Government - capital		34 702 761	16 963 447
Interest		3 472 340	3 426 635
Dividends			
Payments			
Suppliers and employees		(133 340 882)	(53 621 898)
Finance charges		(4 655 570)	(2 466 580)
Transfers and Grants		(1 250 000)	(300 000)
Cash generated by operations	34	(4 477 990)	52 127 132
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(39 036 830)	(32 452 907)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		183 729	-
Purchase of Intangible Assets		(108 586)	(538 038)
Decrease in Long-term Receivables	15	63 763	67 687
Net Cash from Investing Activities		(38 897 924)	(32 923 258)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		22 780 694	2 017 348
Loans repaid		(1 670 878)	(3 749 791)
Increase in Consumer Deposits		68 965	32 366
Net Cash from Financing Activities		21 178 781	(1 700 078)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(22 197 132)	17 503 796
Cash and Cash Equivalents at the beginning of the year		37 878 525	20 374 729
Cash and Cash Equivalents at the end of the year	35	15 681 392	37 878 525
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(22 197 133)	17 503 796

**ACCOUNTING PRINCIPLES AND POLICIES NOTES APPLIED IN THE
FINANCIAL STATEMENTS**

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 101	Agriculture
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

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Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories
GRAP 16 – Investment Property
GRAP 17 – Property, Plant and Equipment
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 – Intangible Assets

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 has been provided in the notes to the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 6 (Revised)	Consolidated and Separate Financial Statements No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 7 (Revised)	Investments in Associate No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

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GRAP 8 (Revised)	Interest in Joint Ventures No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 18	Segment Reporting Information to a large extent is already included in the notes to the annual financial statements.	Unknown
GRAP 24	Presentation of Budget Information in Financial Statements Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
GRAP 25	Employee Benefits Information to a large extent is already included in the notes to the annual financial statements, due to the fact that the principles included in GRAP 25 was used to formulate an accounting policy.	Unknown
GRAP 103	Heritage Assets All Heritage assets are treated in terms of GRAP 17.	1 April 2012
GRAP 104	Financial Instruments Information to a large extent is already included in the notes to the annual financial statements, due to the fact that the principles included in GRAP 104 was used to formulate an accounting policy.	Unknown
GRAP 105	Transfer of Functions Between Entities Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 106	Transfer of Functions Between Entities Not Under Common Control No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.6. FOREIGN CURRENCY TRANSACTIONS

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7. RESERVES

1.7.1 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the Municipality, were extinguished on 1 April 1998 and transferred to the Housing

Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.7.2 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.8. LEASES

1.8.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

1.8.2 Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.9. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

1.11. EMPLOYEE BENEFITS

(a) *Post Retirement Medical obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(c) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(d) *Bonus*

Provision is made for annual bonuses at year end. Annual bonuses are paid to officials after every 12 months of completed service. The value of the provision at year end is based on past services already delivered by all officials that entitle them to a bonus in a future period.

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1 Initial Recognition

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of property, plant and equipment. Only provisional amounts are included in the financial statements.

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.12.2 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.12.3 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.12.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

<u>Infrastructure</u>	<u>Years</u>	<u>Other</u>	<u>Years</u>
Bridges	30	Air conditioners	5
Transformer kiosk	30	Cabinets / Cupboards	20
Footways	20	Chairs	20
Mains	20	Computer hardware	5
Outfall sewers	20	General Plant	5
Pump stations	20	Generators	5
Purification works	20	Graders	10
Reservoirs and tanks	20	Lawnmowers	10
Sewers	20	Mechanical horses	10
Supply/reticulation	20	Miscellaneous furniture	10
Switchgear	20	Office machines	5
Traffic lights	20	Radio equipment	5
Meters	15	Tables / desks	20
Sewerage pumps	15	Telecommunication	5
Other roads	10	Tippers	15
Other	20	Tools	5
		Tractors	10
		Trucks / bakkies	5
		Vehicles	5
		Abattoirs	30
<u>Community</u>		<u>Heritage Assets and Land</u>	
Cemeteries	30	Heritage Assets	50-infinite
Churches	30	Land	infinite
Clinics	30		
Community centres	30	<u>Finance lease assets</u>	
Hostel – workers	30		
Indoor sports	30	Office equipment	5
Informal housing	30	Other assets	5
Libraries	30		
Office Buildings	30		
Old age homes	30		
Outdoor sport facilities	30		
Parks	30		
Public conveniences	30		
Tip sites	30		
Workshops	30		
Housing scheme	0		

Land and Buildings

Land	Infinite
Buildings	30
Caravan parks	30
Municipal Buildings	30
Municipal Houses	30

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.12.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.13. INTANGIBLE ASSETS

1.13.1 Initial Recognition

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. Only provisional amounts are included in the financial statements.

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;

- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.13.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.13.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3

1.13.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of investment property.

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	100

1.14.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. NON-CURRENT ASSETS HELD FOR SALE

1.15.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is

available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.15.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.16. CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss

was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.19. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.19.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.19.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial Liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities

depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.19.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.19.2.2 Receivables

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.19.2.3 Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and

the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.19.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.20. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date

of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage

Service charges from sewerage and sanitation for residential and business properties are levied monthly based on a fixed tariff.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the

consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor and Speaker. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.22. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 200), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.26. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – the Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.20 above). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.27. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.28. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
2 NET ASSET RESERVES		
RESERVES		
Capital Replacement Reserve	-	-
Housing Development fund	4 014 818	3 929 507
Total Net Asset Reserve and Liabilities	4 014 818	3 929 507

3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	38 685 407	17 342 593
Capitalised Lease Liability - At amortised cost	43 310	276 307
	38 728 717	17 618 900
Current Portion transferred to Current Liabilities	1 480 962	1 277 238
Annuity Loans - At amortised cost	1 439 287	1 044 241
Capitalised Lease Liability - At amortised cost	41 675	232 997
Total Long-term Liabilities	37 247 755	16 341 662

Annuity loans consist out of 9 different contracts with DBSA. Interest rates on these loans range from 8.25% to 15.90% interest rate, with a last contract to be settled in 2030. Refer to Appendix A.

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	5 688 395	2 702 057
Payable within two to five years	22 459 122	10 530 521
Payable after five years	58 017 057	17 358 651
	86 164 574	30 591 230
Less: Future finance obligations	(47 479 167)	(13 248 636)
Present value of annuity obligations	38 685 407	17 342 593

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	43 703	240 848
Payable within two to five years	1 776	51 711
Payable after five years	-	-
	45 479	292 559
Less: Future finance obligations	(2 169)	(16 252)
Present value of lease obligations	43 310	276 307

Leases are secured by property, plant and equipment - Note 12

4 EMPLOYEE BENEFITS		
Post Retirement Benefits	6 445 618	5 983 143
Long Service Awards	1 323 449	805 964
Total Non-current Employee Benefits	7 769 067	6 789 107
<u>Post Retirement Benefits</u>		
Balance 1 July	6 448 323	6 382 717
Interest Cost	540 244	549 588
Expenditure for the year	(515 309)	(515 371)
Actuarial Loss	443 084	31 389
Total post retirement benefits 30 June	6 916 342	6 448 323
Transfer to current employee benefits - Refer note 7	(470 724)	(465 180)
Balance 30 June	6 445 618	5 983 143

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<u>Long Service Awards</u>		
Balance 1 July	888 137	775 035
Contribution for the year	102 673	84 988
Interest Cost	76 012	68 004
Expenditure for the year	(104 201)	(82 330)
Actuarial Loss	676 746	42 440
Total long service 30 June	1 639 367	888 137
Transfer to current employee benefits - Refer note 7	(315 918)	(82 173)
Balance 30 June	1 323 449	805 964

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	7 336 460	7 157 752
Contribution for the year	102 673	84 988
Interest cost	616 256	617 592
Expenditure for the year	(619 509)	(597 700)
Actuarial Loss	1 119 829	73 828
Total employee benefits 30 June	8 555 709	7 336 460
Transfer to current employee benefits - Refer note 7	(786 642)	(547 353)
Balance 30 June	7 769 067	6 789 107

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Continuation members (e.g. Retirees, widows, orphans)	19	19
Total Members	19	19

The liability in respect of past service has been estimated to be as follows:

Continuation members	6 916 342	6 448 323
Total Liability	6 916 342	6 448 323

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R
Total Liability	6 382 717	6 706 618

No actuarial valuations were performed for the year ending 30 June 2007 as GRAP was only adopted for period commencing on 1 July 2008. Subsequently, no liability was disclosed in respect of this period. Adequate disclosure will be provided in the financial statements of the ensuing year to ensure full compliance with the relevant GRAP standards.

Future cost in respect of the Post Retirement Benefit Plan is expected to be as follows:

	2012 R	2011 R
Future Service cost	-	-
Interest Cost	557 238	545 383
Total cost	557 238	545 383

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Samwumed; and
Keyhealth.

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 %	2010 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.33%	8.68%
Health Care Cost Inflation Rate	7.18%	6.98%
Net Effective Discount Rate	1.08%	1.59%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	6 916 342	6 448 323
Net liability	6 916 342	6 448 323

The fund is wholly unfunded.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	6 448 323	6 382 717
Total expenses	24 936	34 217
Current service cost	-	-
Interest Cost	540 244	549 588
Benefits Paid	(515 309)	(515 371)
Actuarial losses	443 084	31 389
Present value of fund obligation at the end of the year	6 916 342	6 448 323
Transfer to current employee benefits - Refer note 7	(470 724)	(465 180)
Balance 30 June	6 445 618	5 983 143

Sensitivity Analysis on the Accrued Liability

Assumption	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	6.916	6.916

The effect of movements in the assumptions are as follows:

Assumption	Change	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	7.699	7.699	11%
Health care inflation	-1%	6.243	6.243	-10%
Post-retirement mortality	-1 year	7.177	7.177	4%

	2011 R	2010 R
4.2 Long Service Bonuses		
The Long Service Bonus plans are defined benefit plans.		
As at year end, the following number of employees were eligible for Long Service Bonuses.	239	196
Future cost in respect of the Long Service awards is expected to be as follows:		
Future Service cost	268 974	111 877
Interest Cost	116 179	76 654
Total cost	385 153	188 531

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Key actuarial assumptions used:	2011 %	2010 %
i) Rate of interest		
Discount rate	7.83%	8.96%
General Salary Inflation (long-term)	6.28%	6.34%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.46%	2.47%

	2011 R	2010 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 639 367	888 137
Net liability	1 639 367	888 137

The fund is wholly unfunded.

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R
Total Liability	775 035	679 515

No actuarial valuations were performed for the year ending 30 June 2007 as GRAP was only adopted for period commencing on 1 July 2008. Subsequently, no liability was disclosed in respect of this period. Adequate disclosure will be provided in the financial statements of the ensuing year to ensure full compliance with the relevant GRAP standards.

	2011 R	2010 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	888 137	775 035
Total expenses	74 484	70 663
Current service cost	102 673	84 988
Interest Cost	76 012	68 004
Benefits Paid	(104 201)	(82 330)
Actuarial losses	676 746	42 440
Present value of fund obligation at the end of the year	1 639 367	888 137
Transfer to current employee benefits - Refer note 7	(315 918)	(82 173)
Balance 30 June	1 323 449	805 964

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.639	

The effect of movements in the assumptions are as follows:

General salary inflation	1%	1.745	6%
General salary inflation	-1%	1.544	-6%
Average retirement age	-2 yrs	1.362	-17%
Average retirement age	2 yrs	1.854	13%
Withdrawal rates	-50%	1.976	21%

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
4.3 Retirement funds		
<p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in principles adopted from GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans. All the required disclosure has been made as defined in the principles adopted as per GRAP 25.31.</p>		
<u>CAPE JOINT PENSION FUND</u>		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.</p>		
Contributions paid recognised in the Statement of Financial Performance	-	33 699
<u>CAPE JOINT RETIREMENT FUND</u>		
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).</p>		
Contributions paid recognised in the Statement of Financial Performance	2 199 506	1 663 473
<u>DEFINED CONTRIBUTION FUNDS</u>		
<p>Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.</p>		
Contributions paid recognised in the Statement of Financial Performance		
Municipal Councillors Pension Fund	164 747	209 873
SAMWU National Provident Fund	1 529 696	1 360 736
	1 694 443	1 570 609
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	-	-
Total Non-current Provisions	-	-
<p>The municipality operates one landfill site that is situated in Swellendam.</p> <p>Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 49.1</p>		

SWELLENDAAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
6 CONSUMER DEPOSITS		
Water & Electricity	1 014 363	945 399
Total Consumer Deposits	1 014 363	945 399
Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Consumer deposits does not attract interest.

7 CURRENT EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer note 4.1	470 724	465 180
Long Service Bonuses - Refer note 4.2	315 918	82 173
Cape Joint Pension Fund - Shortfall in earnings	215 906	215 906
Bonuses	815 155	783 056
Staff Leave	2 077 386	1 897 111
Total Current Employee Benefits	3 895 089	3 443 426

The movement in current employee benefits are reconciled as follows:

Bonuses

Balance at beginning of year	783 056	-
Contribution to current portion	1 673 075	2 161 416
Expenditure incurred	(1 640 976)	(1 378 360)
Balance at end of year	815 155	783 056

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

Staff Leave

Balance at beginning of year	1 897 111	1 794 301
Contribution to current portion	301 216	251 990
Expenditure incurred	(120 941)	(149 180)
Balance at end of year	2 077 386	1 897 111

Staff leave accrue to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Cape Joint Pension Fund - Shortfall in earnings

Balance at beginning of year	215 906	215 906
Balance at end of year	215 906	215 906

8 PROVISIONS

Provision for Rehabilitation of Landfill-sites	-	-
Total Current Provisions	-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 49.1

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
9 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	4 656 988	11 256 653
Balance previously reported		11 205 090
Correction of error - Refer to note 32.03		51 563
Accrued interest	719 945	46 909
Other: Deposits	364 989	57 950
Payments received in advance	-	616 476
Pre-Paid Electricity	222 553	170 808
Retentions and Guarantees	2 191 489	1 562 810
Balance previously reported		-
Correction of error - Refer to note 32.03		1 562 810
Other payables	6 790 492	3 902 776
Balance previously reported		4 409 716
Correction of error - Refer to note 32.03		(1 252 315)
Total Trade Payables	14 946 456	17 614 382

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
Unspent National and Provincial Government Grant	11 186 375	40 237 785
Less Unpaid National and Provincial Government Grant	-	(544 885)
Total Conditional Grants and Receipts	11 186 375	39 692 900

Reconciliation of Unspent Government Grants and Receipts

Balance previously reported	40 164 698
Correction of error - Refer to note 32.04	(471 798)
	39 692 900

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 TAXES		
VAT RECEIVABLE		
VAT Receivable	2 888 684	354 606
Balance previously reported		249 038
Correction of error - Refer to note 32.07		(1 568)
Total VAT receivable	2 888 684	354 606

VAT is receivable and payable on the cash basis.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12 PROPERTY, PLANT AND EQUIPMENT

See attached sheet

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
13 INVESTMENT PROPERTY		
Net Carrying amount	2 508 635	2 508 635
Cost	2 508 635	2 508 635
Accumulated Depreciation	-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 49.3

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	677 547	353 336
Cost	1 609 062	1 071 024
Balance previously reported		252 193
Correction of error - Refer to note 32.02		818 830
Accumulated Amortisation	(931 515)	(717 687)
Balance previously reported		(192 417)
Correction of error - Refer to note 32.02		(525 270)
Acquisitions	108 586	538 038
Amortisation	(213 306)	(213 827)
Balance previously reported		(115 974)
Correction of error - Refer to note 32.02		(97 853)
Net Carrying amount at 30 June	572 827	677 547
Cost	1 717 648	1 609 062
Accumulated Amortisation	(1 144 821)	(931 515)

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 49.4

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

15 LONG-TERM RECEIVABLES

Plots sold	55 038	55 038
Capital Individual Loans	2 878	4 192
Housing Loan Scheme	582 657	645 106
	640 574	704 337
Less: Current portion transferred to current receivables	65 126	59 916
Capital Individual Loans	707	1 354
Housing Loan Scheme	64 419	58 563
	575 448	644 421
Less: Provision for Impairment of Long Term Receivables	-	-
Total Long Term Receivables	575 448	644 421

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

PLOTS SOLD

Plots loans are not granted to officials of the municipality. The outstanding amount relates to prior years plot loans to the public of Suurbraak and is still collectable. Public plot loans attract interest at average 7% per annum and which are repayable over a maximum period of 20 years. These loans are redeemed June 2013. The public plot loans are secured over the asset.

CAPITAL INDIVIDUAL LOANS

Sport organisation individual loans are not granted to officials of the municipality. The outstanding amount relates to prior year loans to Sport organisations and are still collectable. Sport organisation individual loans attract interest at average 6,5% per annum and which are repayable over a maximum period of 10 years. These loans are redeemed June 2013. The capital individual loans are secured over the improvement of municipal sport facilities.

HOUSING LOAN SCHEME

The outstanding amount relates to prior years and is still collectable. Housing loans attract interest at average 7% per annum and which are repayable over a maximum period of 20 years. These loans are redeemed June 2013. The housing loans are secured over the asset.

	2011 R	2010 R
16 INVENTORY		
Consumable Stores - Stationery and materials - At cost	976 061	487 804
Balance previously reported		465 177
Correction of error - Refer to note 32.05		22 626
Water – at cost	-	-
Total Inventory	976 061	487 804
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 49.5		
17 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	9 028 113	5 396 130
Water	6 880 914	6 381 971
Refuse	5 023 594	4 044 097
Sewerage	7 147 152	6 085 142
Rentals	255 134	231 195
Sundry Receivables	6 007 121	4 712 241
Total Receivables from Exchange Transactions	34 342 028	26 850 775
Less: Allowance for Doubtful Debts	(24 389 977)	(19 160 953)
Total Net Receivables from Exchange Transactions	9 952 050	7 689 822

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Ageing of Receivables from Exchange Transactions

	2011	2010
	R	R
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	3 637 269	1 026 894
31 - 60 Days	824 929	737 580
61 - 90 Days	356 579	294 581
+ 90 Days	4 209 336	3 337 075
Total	9 028 113	5 396 130
<u>(Water): Ageing</u>		
Current (0 - 30 days)	748 263	757 675
31 - 60 Days	323 397	258 772
61 - 90 Days	291 047	249 092
+ 90 Days	5 518 208	5 116 432
Total	6 880 914	6 381 971
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	440 481	(129 077)
31 - 60 Days	278 223	214 321
61 - 90 Days	202 211	158 252
+ 90 Days	4 102 679	3 800 600
Total	5 023 594	4 044 097
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	610 848	(262 940)
31 - 60 Days	371 031	266 214
61 - 90 Days	235 503	189 993
+ 90 Days	5 929 770	5 891 875
Total	7 147 152	6 085 142
<u>(Rentals): Ageing</u>		
Current (0 - 30 days)	9 985	2 483
31 - 60 Days	7 689	6 069
61 - 90 Days	5 742	5 360
+ 90 Days	231 718	217 284
Total	255 134	231 195
<u>(Sundry): Ageing</u>		
Current (0 - 30 days)	816 231	3 728 692
31 - 60 Days	470 828	19 034
61 - 90 Days	246 314	166 828
+ 90 Days	4 473 748	797 687
Total	6 007 121	4 712 241
<u>(Total): Ageing</u>		
Current (0 - 30 days)	6 263 076	5 123 727
31 - 60 Days	2 276 096	1 501 991
61 - 90 Days	1 337 395	1 064 105
+ 90 Days	24 465 460	19 160 953
Total	34 342 028	26 850 776

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	19 160 953	20 366 642
Contribution to provision	5 229 025	4 175 148
Bad Debts Written Off	-	(5 380 838)
Balance at end of year	24 389 977	19 160 953

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	16 153 142	12 978 928
Accrued interest	-	40 855
Balance previously reported		-
Correction of error - Refer to note 32.06		40 855
Other Receivables	4 248 437	4 456 272
Balance previously reported		7 508 512
Correction of error - Refer to note 32.06		(3 052 240)
Total Receivables from Non-Exchange Transactions	20 401 579	17 476 055
Less: Allowance for Doubtful Debts	(13 513 332)	(11 906 499)
Total Net Receivables from Non-Exchange Transactions	6 888 248	5 569 556

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	1 352 647	485 066
31 - 60 Days	775 880	197 936
61 - 90 Days	511 284	161 599
+ 90 Days	13 513 332	12 134 326
Total	16 153 142	12 978 928

Reconciliation of Provision for Bad Debts

Balance at beginning of year	11 906 499	8 442 865
Contribution to provision	1 606 832	4 478 166
Bad Debts Written Off	-	(1 014 532)
Balance at end of year	13 513 332	11 906 499

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

19 OPERATING LEASE ARRANGEMENTS

19.1 The Municipality as Lessor

Operating lease asset	1 498	1 134
	1 498	1 134
Balance on 1 July	1 134	583
Operating Lease Asset for the current year	363	552
Balance on 30 June	1 498	1 134

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	20 138	31 610
1 to 5 Years	38 056	26 293
More than 5 Years	34 349	12 101
Total Operating Lease Arrangements	92 543	70 004

This lease income was determined from contracts that have a specific conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2020

20 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	13 579 395	35 885 631
Primary Bank Account	2 100 097	1 990 995
Cash Floats	1 900	1 900
Total Cash and Cash Equivalents - Assets	15 681 392	37 878 525

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

First National Bank - Swellendam - Account Number 53840005730 (Primary Account)
 ABSA - Barrydale - Account Number 2390560039

Current Accounts

Cash book balance at beginning of year	1 990 995	182 675
Cash book balance at end of year	2 100 097	1 990 995
Bank statement balance at beginning of year	6 356 624	12 976 520
Bank statement balance at end of year	14 498 324	6 356 624

Call Investment Deposits

Call investment deposits consist out of the following accounts:

ABSA Bank - 9210656329	4 522 836	1 073 903
ABSA Bank - 9243287242	-	8 081 764
BOE Bank - 7881000058	18 413	8 082 436
Standard Bank - 28880069918	4 522 825	11 317 761
First National Bank - 62262532560	-	6 065 382
First National Bank - 62146456745	-	1 264 384
First National Bank - 62312407564	4 515 321	-
	13 579 395	35 885 631

21 PROPERTY RATES

Actual

Rateable Land and Buildings	25 433 781	19 124 651
Less: Income Foregone - Rates	(6 033 482)	(480 094)
Total Assessment Rates	19 400 299	18 644 557

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Valuations - 1 JULY 2009

Rateable Land and Buildings

Rural Areas	1 573 474 369	1 573 474 369
Residential Areas	3 194 124 739	3 194 124 739
Commercial and Industrial Areas	259 441 000	259 441 000
Government and municipal	104 210 500	104 210 500
Building Clause	2 540 806	2 540 806
Total Assessment Rates	5 133 791 414	5 133 791 414

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

22 GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	15 267 066	12 151 455
Equitable Share	15 267 066	12 151 455
Conditional Grants	40 826 111	23 348 242
Upgrade: Library Barrydale	-	3 790
Vegetable Project - Barrydale	6 592	12 154
Flood damage	29 314 623	3 661 218
MIG - Municipal Infrastructure Grant	7 311 893	8 412 438
Financial Management Grant	3 000 000	3 076 290
Housing Project	276 483	5 418 593
Multi-purpose Centrum	-	501 182
National Electrification Program	-	937 719
Library Services	300 000	331 369
Community Development Workers	-	96 000
MSIG - Municipal Systems Improvement Grant	616 519	868 481
EMP Railton Erf 5269	-	29 007
Total Government Grants and Subsidies	56 093 177	35 499 697
Government Grants and Subsidies - Capital	34 702 761	16 963 447
Government Grants and Subsidies - Operating	21 390 416	18 536 250
	56 093 177	35 499 697

The municipality does not expect any significant changes to the level of grants (except for the Flood damage grant)

22.1 Equitable share

Opening balance	-	-
Grants received	15 267 066	12 151 455
Conditions met - Operating	(15 267 066)	(12 151 455)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

22.2 Finance Management Grant (FMG)

Opening balance	-	326 290
Grants received	3 000 000	2 750 000
Conditions met - Operating	(3 000 000)	(2 915 972)
Conditions met - Capital	-	(160 318)
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22.3 Municipal Systems Improvement Grant (MSIG)		
Opening balance	(133 481)	-
Grants received	750 000	735 000
Conditions met - Operating	(616 519)	(720 420)
Conditions met - Capital	-	(148 061)
Grant expenditure to be recovered	<u>-</u>	<u>(133 481)</u>
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
22.4 Municipal Infrastructure Grant (MIG)		
Opening balance	2 270 701	1 997 019
Grants received	5 625 000	8 686 120
Conditions met - Operating	(381 250)	(334 150)
Conditions met - Capital	(6 930 643)	(8 078 288)
Conditions still to be met	<u>583 807</u>	<u>2 270 701</u>
The grant was used to upgrade infrastructure in the municipal area.		
22.5 Housing Grants		
Opening balance	326 476	33 622
Grants received	2 229 371	5 711 447
Conditions met - Operating	(276 483)	(1 168 283)
Conditions met - Capital	-	(4 250 310)
Conditions still to be met	<u>2 279 364</u>	<u>326 476</u>
Housing grants was utilised for the development of erven and the erection of top structures/infrastructure.		
22.6 Integrated National Electrification Grant		
Opening balance	(411 404)	-
Grants received	411 404	526 316
Conditions met - Capital	-	(937 719)
Grant expenditure to be recovered	<u>-</u>	<u>(411 404)</u>
The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
22.7 Flood Damage		
Opening balance	37 250 480	3 920 698
Grants received	-	36 991 000
Conditions met - Operating	(1 542 506)	(819 356)
Conditions met - Capital	(27 772 117)	(2 841 862)
Conditions still to be met	<u>7 935 857</u>	<u>37 250 480</u>
The grant is utilised to upgrade and repair infrastructure damaged by floods.		
22.8 Other Grants		
Opening balance	390 128	977 585
Grants received	300 000	377 382
Interest on investments	3 812	8 663
Conditions met - Operating	(306 592)	(426 614)
Conditions met - Capital	-	(546 889)
Conditions still to be met	<u>387 347</u>	<u>390 128</u>
Various grants were received from other spheres of government (e.g. Library fund)		

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22.9 Total Grants		
Opening balance	39 692 900	7 255 214
Grants received	27 582 840	67 928 720
Interest on investments	3 812	8 663
Conditions met - Operating	(21 390 416)	(18 536 250)
Conditions met - Capital	(34 702 761)	(16 963 447)
Conditions still to be met	<u>11 186 375</u>	<u>39 692 900</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	11 186 375	40 237 785
Unpaid Conditional Government Grants and Receipts	-	(544 885)
	<u>11 186 375</u>	<u>39 692 900</u>
23 SERVICE CHARGES		
Electricity	37 120 322	28 580 729
Water	7 022 533	7 231 545
Refuse removal	5 658 743	5 049 726
Sewerage and Sanitation Charges	9 779 215	8 419 934
Other	13 529	14 442
	<u>59 594 343</u>	<u>49 296 376</u>
Less: Income Foregone - Services	(3 016 979)	(3 201 612)
Total Service Charges	<u>56 577 364</u>	<u>46 094 764</u>
24 OTHER REVENUE		
Building Plans	480 002	517 575
Development Contribution	62 792	185 081
Hawkers Fees	49 985	49 872
Rezoning	140 638	204 873
Transaction Costs	-	-
Other	233 356	194 163
Total Other Income	<u>966 774</u>	<u>1 151 564</u>
25 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	24 818 070	23 869 316
Employee related costs - Contributions for UIF, pensions and medical aids	5 785 442	5 201 834
Travel, motor car, accommodation, subsistence and other allowances	2 716 026	2 052 018
Housing benefits and allowances	213 250	230 109
Overtime Payments	2 596 214	2 010 914
Long Service Awards	102 673	84 988
Bonus	1 673 075	2 161 416
Staff Leave	301 216	251 990
Total Employee Related Costs	<u>38 205 966</u>	<u>35 862 586</u>

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
KEY MANAGEMENT PERSONNEL		
Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>Remuneration of the Municipal Manager</i>		
Salary and Bonus	571 386	554 155
Travel Allowance	121 193	130 439
Group Insurance	-	5 434
Industrial Council	37	15
Pension	72 867	83 093
SDL	6 496	4 172
UIF	1 310	1 373
Medical	36 942	30 502
Total	810 231	809 183
<i>Remuneration of the Director Community Services</i>		
Salary and Bonus	542 786	541 596
Travel Allowance	172 504	132 451
Industrial Council	49	45
SDL	6 970	6 317
UIF	1 497	1 497
Medical	34 495	26 011
Total	758 301	707 917
<i>Remuneration of the Director Corporate Services</i>		
Salary and Bonus	-	202 961
Travel Allowance	-	54 000
Pension	-	27 300
SDL	-	652
UIF	-	624
Medical	-	14 568
Total	-	300 105
<i>Remuneration of the Director Engineering Services</i>		
Salary and Bonus	575 292	521 135
Travel Allowance	149 271	150 358
Industrial Council	49	45
SDL	7 232	6 433
UIF	1 497	1 497
Medical	25 222	23 440
Total	758 563	702 908
<i>Remuneration of the Director Financial Services</i>		
Salary and Bonus	372 668	361 135
Travel Allowance	117 000	110 013
Group Insurance	-	10 318
Industrial Council	37	30
SDL	4 421	4 342
Pensioen	72 670	-
UIF	1 123	998
Total	567 919	486 836

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
26 REMUNERATION OF COUNCILLORS		
Executive Mayor allowance	473 843	519 682
Deputy Executive Mayor allowance	251 646	228 659
Speaker allowance	432 864	415 744
Member of Mayoral Committees' allowance	356 984	389 760
Part Time Councillors' allowance	958 269	913 828
Total Councillors' Remuneration	2 473 607	2 467 673
<i>In-kind Benefits</i>		
The Executive Mayor and all the committee members are full-time Councillors. The Mayor is provided with secretarial support and an office at the cost of the Council.		
27 DEBT IMPAIRMENT		
Receivables from exchange transactions - Note 17	5 229 025	4 175 148
Receivables from non-exchange transactions - Note 18	1 606 832	4 478 166
Total Contribution to Debt Impairment Provision	6 835 857	8 653 315
28 FINANCE CHARGES		
Long-term Liabilities	4 025 232	1 772 702
Finance leases	14 082	76 287
Post Employment Health	540 244	549 588
Long service awards	76 012	68 004
Total finance charges	4 655 570	2 466 580
29 BULK PURCHASES		
Electricity	22 786 713	16 672 706
Total Bulk Purchases	22 786 713	16 672 706
30 GRANTS AND SUBSIDIES PAID		
Swellendam Tourism	1 100 000	300 000
Lower Breede River Conservancy	150 000	-
Total Grants and Subsidies	1 250 000	300 000
31 GENERAL EXPENSES		
Contractor Fees	223 858	734 576
Audit Fees	729 646	1 845 937
Machinery Hire	386 335	809 568
Material & Stock	971 378	1 141 262
New Connections	351 332	322 086
Postage	440 677	408 413
Stationery and Printing	479 900	375 725
Subsistence and Travel	461 590	549 863
Telephone	1 121 612	1 401 731
Workmens Compensation	258 231	679 407
Other	6 193 181	4 911 559
General Expenses	11 617 739	13 180 127

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32	CORRECTION OF ERROR	2010 R
32.01	Property Plant and equipment	
	Balance previously reported	109 502 504
	Retentions and guarantees incorrectly not recognised on 30 June 2010 - Refer to note 32.03	1 537 515
	Assets incorrectly not capitalised on 30 June 2010 - Refer to note 32.03	59 661
	Capitalise infrastructure incorrectly included in debtors - Refer to note 32.06	83 988
	INEG grant expenditure incorrectly capitalised - Refer to note 32.04	(73 684)
	Correction of intangible assets incorrectly included in property plant and equipment (30 June 2009) - Refer to note 32.02	(818 830)
	Capitalise assets incorrectly recognised in income and expenses during 2009/2010 - Refer to note 33	2 577 351
	Remove operating expenditure incorrectly capitalised prior to 30 June 2009 - Refer to note 32.08	(5 778 894)
	Derecognition of finance leases where the term of the agreement has expired	-
	Effect on cost	(1 410 636)
	Effect on accumulated depreciation	1 410 636
	Reallocate accumulated amortisation incorrectly included in property, plant and equipment - Refer to note 32.02	623 123
	Effect on accumulated depreciation on 30 June 2009	525 270
	Effect on depreciation for 2009/2010	97 853
	Correction of VAT incorrectly capitalised as PPE - Refer to note 32.07	(107 136)
	Correction of accumulated depreciation on 30 June 2009 - Refer to note 32.08	2 674 980
	Write off assets previously incorrectly capitalised - Refer to note 33	(690 784)
	Correction of depreciation during 2009/2010 - Refer to note 33	1 060 472
		110 650 266
32.02	Intangible Assets	
	Balance previously reported	481 841
	Correction of intangible assets incorrectly included in property plant and equipment on 30 June 2009 - Refer to note 32.01	818 830
	Reallocate accumulated amortisation incorrectly included in property, plant and equipment - Refer to note 32.01	(623 123)
	Effect on accumulated amortisation on 30 June 2009	(525 270)
	Effect on amortisation for 2009/2010	(97 853)
		677 547
32.03	Payables from Exchange Transactions	
	Balance previously reported	16 506 948
	Payables incorrectly accrued for on 30 June 2010	(14 988)
	Effect on taxes - Refer to note 32.07	(1 568)
	Effect on income and expenses - Refer to note 33	(13 420)
	Retentions and guarantees incorrectly not recognised on 30 June 2010 - Refer to note 32.01	1 537 515
	Retentions incorrectly recognised as other payables	-
	Effect on other payables	(54 358)
	Effect on retentions and guarantees	54 358
	Payables incorrectly included in receivables - Refer to note 32.06	(1 254 498)
	Assets incorrectly not capitalised on 30 June 2010 - Refer to note 32.01	59 661
	Payables incorrectly accrued for on 30 June 2009 - Refer to note 32.08	66 552
	Grant receipt incorrectly allocated to payables - Refer to note 32.04	(3 120)
	Retention payment incorrectly allocated to debtor suspense vote - Refer to note 32.06	(29 063)
	Correction of vehicle registration income - Refer to note 33	745 375
		17 614 382
32.04	Unspent Government grants and subsidies	
	Balance previously reported	40 164 698
	Grant receipt incorrectly allocated to payables - Refer to note 32.03	3 120
	INEG grant expenditure and VAT incorrectly not recognised against unspent grant	(474 918)
	Effect on government grants and subsidies - Refer to note 33	(401 234)
	Effect on property plant and equipment - Refer to note 32.01	(73 684)
		39 692 900
32.05	Inventory	
	Balance previously reported	465 177
	Inventory incorrectly charged out to repairs and maintenance - Refer to note 33	22 626
		487 804
32.06	Receivables from non-exchange transactions	
	Balance previously reported	8 580 940
	Accrued interest on Nedbank call account incorrectly not recognised - Refer to note 33	40 855
	Payables incorrectly included in receivables - Refer to note 32.03	(1 254 498)
	Flood damage expenses incurred prior to 30 June 2009 incorrectly allocated to receivables - Refer to note 32.08	(1 684 691)
	Retention payment incorrectly allocated to debtor suspense vote - Refer to note 32.03	(29 063)
	Capitalise infrastructure incorrectly included in debtors - Refer to note 32.01	(83 988)
		5 569 556

SWELLEN DAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32.07	Taxes	2010 R	
	Balance previously reported	249 038	
	Payables incorrectly accrued for on 30 June 2010 - Refer to note 32.03	(1 568)	
	Correction of VAT incorrectly capitalised as part of PPE - Refer to note 32.01	107 136	
		354 606	
32.08	Accumulated Surplus		
	Payables incorrectly accrued for on 30 June 2009 - Refer to note 32.03	(66 552)	
	Flood damage expenses incurred prior to 30 June 2009 incorrectly allocated to receivables - Refer to note 32.06	(1 684 691)	
	Remove operating expenditure incorrectly capitalised to PPE prior to 30 June 2009 - Refer to note 32.01	(5 778 894)	
	Correction of accumulated depreciation on 30 June 2009 - Refer to note 32.01	2 674 980	
		(4 855 157)	
33	STATEMENT OF FINANCIAL PERFORMANCE		
	Surplus previously reported	1 805 616	
	Accrued interest on Nedbank call account incorrectly not recognised - Refer to note 32.06	40 855	
	Inventory incorrectly charged out to repairs and maintenance - Refer to note 32.05	22 626	
	Payables incorrectly accrued for on 30 June 2010 - Refer to note 32.03	13 420	
	Effect on employee related cost	300	
	Effect on repairs and maintenance	1 700	
	Effect on general expenses	11 420	
	Internal charges incorrectly included in income and expenses	-	
	Effect on service charges	(3 075 083)	
	Effect on bulk purchases	331 952	
	Effect on general expenses	2 743 131	
	Income relating to INEG grant expenditure incorrectly not recognised - Refer to note 32.04	401 234	
	Reallocate income relating to flood damage expenditure previously expensed, now capitalised	-	
	Effect on Government Grants and Subsidies - Capital	2 841 862	
	Effect on Government Grants and Subsidies - Operating	(2 841 862)	
	Vehicle essential costs incorrectly classified	-	
	Effect on employee related costs	(1 026 680)	
	Effect on repairs and maintenance	1 026 680	
	Correction of vehicle registration income - Refer to note 32.03	(745 375)	
	Effect on Licences and Permits	(61 912)	
	Effect on Agency Services	(370 314)	
	Effect on Other Income	(313 149)	
	Capitalise assets incorrectly recognised in income and expenses during 2009/2010 - Refer to note 32.01	2 577 351	
	Write off assets previously incorrectly capitalised - Refer to note 32.01	(690 784)	
	Correction of depreciation during 2009/2010 - Refer to note 32.01	1 060 472	
	Total	4 485 415	
34	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED BY OPERATIONS	2011 R	2010 R
	Surplus for the year	23 167 227	4 485 415
	Adjustments for:		
	Depreciation and Amortisation	8 862 040	8 754 110
	Gain on disposal of property, plant and equipment	(183 729)	-
	Loss on disposal of property, plant and equipment	22 918	-
	Debt Impairment	6 835 857	8 653 315
	Bad debts written off	-	(6 395 370)
	Contribution to staff leave	301 216	251 990
	Staff leave expenditure incurred	(120 941)	(149 180)
	Contribution to bonus provision	1 673 075	2 161 416
	Bonuses paid	(1 640 976)	(1 378 360)
	Contribution to employee benefits (Long Service awards and Post Retirement Health)	718 929	702 580
	Expenditure incurred on Long Service awards and Post Retirement Health	(619 509)	(597 700)
	Actuarial Losses	1 119 829	73 828
	Operating lease income accrued	(363)	(552)
	Operating surplus before changes in working capital	40 135 573	16 561 492
	Changes in working capital	(44 613 563)	35 565 640
	Increase/(Decrease) in Payables for Exchange Transactions	(2 667 926)	6 475 900
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(29 051 409)	32 982 571
	Increase/(Decrease) in Taxes	(2 534 078)	447 895
	Increase in Inventory	(488 258)	(300 030)
	Increase in Receivables	(10 416 777)	(3 495 812)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	544 885	(544 885)
	Cash generated/(absorbed) by operations	(4 477 990)	52 127 132

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

35	CASH AND CASH EQUIVALENTS		2011	2010
			R	R
	Cash and cash equivalents included in the cash flow statement comprise the following:			
	Call Investments Deposits - Note 20		13 579 395	35 885 631
	Cash Floats - Note 20		1 900	1 900
	Bank - Note 20		2 100 097	1 990 995
	Total cash and cash equivalents		15 681 392	37 878 525
36	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES			
	Cash and Cash Equivalents - Note 35		15 681 392	37 878 525
			15 681 392	37 878 525
	Less:		11 186 375	40 237 785
	Unspent Committed Conditional Grants - Note 10		11 186 375	40 237 785
	Resources available for working capital requirements		4 495 017	(2 359 260)
37	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
	Long-term Liabilities - Note 3		38 728 717	17 618 900
	Used to finance property, plant and equipment - at cost		(38 728 717)	(17 618 900)
			-	-
	Cash set aside for the repayment of long-term liabilities		-	-
	Cash invested for repayment of long-term liabilities		-	-
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.			
38	BUDGET COMPARISONS			
		2011	2011	2011
		R	R	R
		(Actual)	(Budget)	(Variance)
38.1	Income by Vote			(%)
	Executive & Council	23 081 897	21 279 797	1 802 100 8%
	Budget & Treasury	9 113 491	9 393 368	(279 877) (3%)
	Corporate Services	1 500 098	1 108 758	391 340 35%
	Planning & Development	1 442 117	2 449 996	(1 007 879) (41%)
	Community & Social Services	496 858	475 490	21 367 4%
	Public Safety	3 377 943	4 207 550	(829 607) (20%)
	Sport & Recreation	640 964	544 300	96 664 18%
	Waste Management	5 681 757	4 500 300	1 181 457 26%
	Waste Water Management	17 270 993	7 970 842	9 300 151 117%
	Road Transport	29 318 123	166 000	29 152 123 17562%
	Water	13 160 694	13 040 709	119 985 1%
	Electricity	43 161 706	44 316 907	(1 155 201) (3%)
	Less Inter-Departmental Charges	(7 179 087)	(4 827 195)	(2 351 892) 49%
		141 067 552	104 626 822	36 440 730 35%

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
38.2 Expenditure by Vote				
Executive & Council	9 420 525	8 567 208	853 317	10%
Budget & Treasury	19 848 851	10 203 519	9 645 332	95%
Corporate Services	8 921 745	9 162 036	(240 291)	(3%)
Planning & Development	6 081 465	8 225 934	(2 144 469)	(26%)
Community & Social Services	3 626 514	3 646 229	(19 715)	(1%)
Public Safety	4 293 903	5 022 633	(728 730)	(15%)
Sport & Recreation	5 189 815	5 640 149	(450 334)	(8%)
Waste Management	4 174 708	3 620 552	554 156	15%
Waste Water Management	5 864 627	5 291 529	573 098	11%
Road Transport	13 138 386	8 205 931	4 932 455	60%
Water	10 628 577	8 892 710	1 735 867	20%
Electricity	33 890 297	32 974 587	915 710	3%
Less Inter-Departmental Charges	(7 179 087)	(4 827 195)	(2 351 892)	49%
	117 900 325	104 625 822	13 274 503	13%

Surplus for the year

23 167 227 **1 000** **23 166 227**

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
38.3 Capital expenditure by vote				
Executive & Council	26 310	-	26 310	100%
Budget & Treasury	209 009	700 000	(490 991)	(70%)
Corporate Services	804 995	11 242 000	(10 437 005)	(93%)
Planning & Development	232 337	59 000	173 337	294%
Community & Social Services	146 613	229 668	(83 055)	(36%)
Public Safety	570 476	743 924	(173 448)	(23%)
Sport & Recreation	1 104 708	1 906 988	(802 280)	(42%)
Waste Management	1 651 886	2 184 555	(532 669)	(24%)
Waste Water Management	6 599 088	19 171 250	(12 572 162)	(66%)
Road Transport	26 307 448	47 136 778	(20 829 330)	(44%)
Water	1 464 565	1 707 972	(243 407)	(14%)
Electricity	27 983	1 089 000	(1 061 017)	(97%)
	39 145 416	86 171 135	(47 025 719)	

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND OTHER NON-COMPLIANCE

	2011 R	2010 R
39.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	31 761 126	13 079 210
Unspent grant funding utilised in operating expenditure - Refer to note 36	-	2 419 654
Unauthorised expenditure current year - capital - Refer to note 38.3	199 647	-
Unauthorised expenditure current year - operating - Refer to note 38.2	19 209 934	16 262 261
Unauthorised expenditure awaiting authorisation	51 170 706	31 761 126

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
39.2 <u>Fruitless and wasteful expenditure</u>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	1 174 966	1 174 966
Fruitless and wasteful expenditure current year	1 762 029	-
Condoned or written off by Council	-	-
Not yet transfer to receivables for recovery - Condoned by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	2 936 996	1 174 966

Incident	Disciplinary steps/criminal proceedings		
<i>Municipal Manager placed on compulsory leave as from 30 July 2010 pending an investigation following allegations of misconduct, and was subsequently found not guilty.</i>	<i>Referred to council for further action in terms of Section 32 of MFMA.</i>	1 762 029	-
<i>Syntell (Pty) Ltd</i>	<i>Referred to council for further action in terms of Section 32 of MFMA.</i>	-	675 000
<i>JC Fumigation & Pest Control</i>	<i>Referred to council for further action in terms of Section 32 of MFMA.</i>	-	194 769
<i>Printmore Trust</i>	<i>Referred to council for further action in terms of Section 32 of MFMA.</i>	-	12 633
<i>Bargaining Council</i>	<i>Referred to council for further action in terms of Section 32 of MFMA.</i>	-	10 756
<i>Quadrix Asset Management</i>	<i>Referred to council for further action in terms of Section 32 of MFMA.</i>	-	281 808
		1 762 029	1 174 966

39.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	4 439 890	2 333 004
Irregular expenditure current year	110 350	2 106 887
Condoned or written off by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	4 550 240	4 439 890

Incident	Disciplinary steps/criminal proceedings		
<i>Moving Violation System (Coastal) - No Valid contract in place</i>	<i>None</i>	-	94 167
<i>Adenco Construction (Pty) Ltd - Awards to persons in service of the state</i>	<i>None</i>	110 350	2 012 720
		110 350	2 106 887

39.4 Other non-compliance

Section 126 of MFMA - The municipality must prepare and submit the annual financial statements within 2 months after year end to the Auditor General for auditing. The annual financial statements was only signed on the 31 January 2012 and submitted to the Auditor General.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

39.5	<u>Material Losses</u>	2011	2010
	Water distribution losses		
	- Kilo litres purified	1 600 429	1 556 234
	- Kilo litres consumed	1 141 914	1 265 829
	- Kilo litres lost during distribution	458 515	290 405
	- Percentage lost during distribution	28.65%	18.66%
	Distribution losses considered to be fruitless (losses in excess of 10%)	298 472	134 782
	Value of fruitless losses at R 2.25 (2010 - R 1.97) per kilo litre	676 229	265 566
	Electricity distribution losses		
	- Units purchased	47 687 318	46 106 348
	- Units sold	39 356 283	39 055 094
	- Units lost in distribution	8 331 035	7 051 254
	- Percentage lost during distribution	17.47%	15.29%
	Distribution losses considered to be fruitless (losses in excess of 10%)	3 562 303	2 440 619
	Value of fruitless losses at R 0.48 (2010 - R 0.36) per unit	1 702 196	882 562
		2011	2010
	Other material losses	R	R
	Cash shortage on pre-paid electricity sales. A forensic investigation is in progress	1 060 432	-
40	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	-	-
	Council subscriptions	201 256	37 002
	Amount paid - current year	(201 256)	(37 002)
	Balance unpaid	-	-
40.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	930 999	234 712
	Current year audit fee	710 369	2 672 695
	External Audit - Auditor-General	710 369	2 672 695
	Amount paid - current year	(457 147)	(234 712)
	Amount paid - previous year	(930 999)	(1 741 696)
	Balance unpaid (included in creditors)	253 222	930 999
40.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	VAT balance at year end - Refer to note 11	2 888 684	354 606
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
	All VAT returns have been submitted by the due date throughout the year.		
40.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	4 995 249	5 205 068
	Amount paid - current year	(4 995 249)	(5 205 068)
	Balance unpaid	-	-

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
40.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	9 597 298	8 373 514
Amount paid - current year	(9 597 298)	(8 373 514)
Balance unpaid	-	-

40.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

No Councillors had arrear accounts for more than 90 days as at 30 June 2011

40.7 Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	More than R200,000
Arccon	28 500	-	-
Auto Clinic & Field Services	10 875	-	-
Buffeljags Watersport cc / Umshanti	6 395	-	-
Bytes System Integration (Individual payments under the thresholds)	59 917	217 350	-
Clinckscales Maughan Brown	17 100	50 160	-
Frank Julie & Associates	29 600	-	-
Freddie Janse van Rensburg	10 000	-	-
ICASA	6 744	-	-
JN Sefoor	17 234	-	-
Keurbomen Lodge	5 500	-	-
Lexis Nexus	12 286	-	-
Litotech	14 176	-	-
PC Connections (Individual payments under the thresholds)	38 360	-	-
Pitney Bowes (Individual payments under the thresholds)	117 034	-	-
Poskantoor	13 034	-	-
Premuim Computers	5 900	-	-
Protea Apteek	2 544	-	-
Sparks & Ellis	20 162	-	-
Strydom Armature Winders	24 145	106 139	-
Suidpunt Sekuriteit	5 415	-	-
Swellendam Grasnyers	2 418	-	-
Swellendam Poskantoor	5 096	-	-
TVM Konstruksie	3 287	-	-
Willie van den Berg	15 400	-	-
Workshop Electronics	7 923	-	-
George Steyn	-	38 360	-
Ignite	-	49 900	-
Price Waterhouse Coopers	-	31 200	-
RGS (Individual payments under the thresholds)	-	246 981	-
Trans Manufacturing	-	66 612	-
	479 046	806 702	-

41 CAPITAL COMMITMENTS	2011 R	2010 R
Approved projects and capital expenditure	11 257 179	3 385 349

This expenditure will be financed from:

Government Grants	7 935 857	2 033 787
Own Resources	3 321 322	1 351 562
	11 257 179	3 385 349

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

42

FINANCIAL RISK MANAGEMENT

2011
R **2010**
R

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

The Municipality is exposed to interest rate risk due to the movements in long-term and short term interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

This risk is managed on an ongoing basis.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2010 - 0.5%) Increase in interest rates	(115 246)	101 289
0.5% (2010 - 1%) Decrease in interest rates	115 246	(202 577)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, receivables and unpaid conditional grants and subsidies.

All rates and services are payable within 30 days from invoice date. Refer to note 17 and 18 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Balances past due not impaired:

	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	1 287 164	100.00%	359 536
<u>Exchange Receivables</u>				
Electricity	32.70%	1 181 508	40.22%	1 032 161
Water	17.00%	614 444	19.79%	507 864
Refuse	13.30%	480 433	14.52%	372 573
Sewerage	16.79%	606 534	17.78%	456 206
Other	20.22%	730 572	7.69%	197 291
	100.00%	3 613 492	100.00%	2 566 096

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 17 and 18 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The provision for bad debts could be allocated between the different classes of debtors as

	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	13 513 332	100.00%	11 906 499
<u>Exchange Receivables</u>				
Electricity	17.21%	4 209 336	17.42%	3 337 075
Water	22.56%	5 518 208	26.70%	5 116 432
Refuse	16.77%	4 102 679	19.84%	3 800 600
Sewerage	24.24%	5 929 770	30.75%	5 891 875
Other	19.23%	4 705 466	5.30%	1 014 971
	100.00%	24 465 460	100%	19 160 953

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current investments are all listed on the JSE . The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting.

Financial assets exposed to credit risk at year end are as follows:

Long term receivables	640 574	704 337
Receivables from exchange transactions	9 952 050	7 689 822
Receivables from non-exchange transactions	4 248 437	4 456 272
Cash and Cash Equivalents	15 681 392	37 878 525
Unpaid conditional grants and subsidies	-	544 885
	30 522 454	51 273 841

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Annuity Loans	6 397 900	22 401 892	23 714 445	33 650 337
Capital repayments	1 439 287	7 107 676	8 870 172	21 268 272
Interest	4 958 612	15 294 216	14 844 273	12 382 066
Capitalised finance lease liability	43 703	1 776	-	-
Capital repayments	41 674	1 635		
Interest	2 029	141		
Payables from exchange transactions	14 723 903	-	-	-
Unspent conditional government grants and receipts	11 186 375	-	-	-
	32 351 881	22 403 668	23 714 445	33 650 337

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Annuity Loans	2 748 176	10 526 365	9 784 446	7 532 242
Capital repayments	1 044 241	4 987 774	5 648 548	5 662 030
Interest	1 703 935	5 538 591	4 135 898	1 870 212
Capitalised finance lease liability	247 079	45 479	-	-
Capital repayments	232 997	43 310	-	-
Interest	14 082	2 170	-	-
Payables from exchange transactions	16 827 099	-	-	-
Unspent conditional government grants and receipts	40 237 785	-	-	-
	60 060 138	10 571 845	9 784 446	7 532 242

43 FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

43.1 Financial Assets

Classification

Long-term Receivables (including current portion)

Plots sold	Financial instruments at amortised cost	55 038	55 038
Capital Individual Loans	Financial instruments at amortised cost	2 878	4 192
Housing Loan Scheme	Financial instruments at amortised cost	582 657	645 106

Receivables

Receivables from exchange transactions	Financial instruments at amortised cost	9 952 050	7 689 822
Receivables from non-exchange transactions	Financial instruments at amortised cost	4 248 437	4 456 272

Other Receivables

Government Subsidies and Grants	Financial instruments at amortised cost	-	544 885
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Short-term Investment Deposits

Call Deposits	Financial instruments at amortised cost	13 579 395	35 885 631
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Cash and cash equivalents

Bank Balances	Financial instruments at amortised cost	2 100 097	1 990 995
Cash Floats and Advances	Financial instruments at amortised cost	1 900	1 900
		30 522 454	51 273 841

SUMMARY OF FINANCIAL ASSETS

Financial instruments at amortised cost	30 522 454	51 273 841
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SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

43.2	<u>Financial Liability</u>	<u>Classification</u>		
	Long-term Liabilities (including current portion)			
	Annuity Loans	Financial instruments at amortised cost	38 685 407	17 342 593
	Capitalised Lease Liability	Financial instruments at amortised cost	43 310	276 307
	Payables from exchange transactions			
	Trade payables	Financial instruments at amortised cost	4 656 988	11 256 653
	Accrued interest	Financial instruments at amortised cost	719 945	46 909
	Deposits	Financial instruments at amortised cost	364 989	57 950
	Other	Financial instruments at amortised cost	6 790 492	3 902 776
	Retentions and guarantees	Financial instruments at amortised cost	2 191 489	1 562 810
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	11 186 375	40 237 785
			64 638 995	74 683 784
			64 638 995	74 683 784
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		64 638 995	74 683 784
			64 638 995	74 683 784

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

44 EVENTS AFTER THE REPORTING DATE

None

45 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

46 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

47 CONTINGENT LIABILITY

The municipality is aware of the following contingent liabilities on 30 June 2011

Guarantees held at First National Bank

- Eskom	3 700	3 700
- Department of Minerals and Energy, RSA	20 000	20 000

Claim lodged by Old Mill Guest House to recover overcharged property rates and water consumption as a result of a faulty meter.	90 000	90 000
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An injury claim was lodged by Joan Peters (November 2010) against the municipality as a result of negligence.	44 000	-
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A claim was lodged by Satinsky 122 (Pty) Ltd (June 2011) seeking the transfer of property Portion of Erf 1 (Steengroewe).	-	-
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The Municipal Manager lodged a claim against the municipality for legal cost and compensation as a result of irregular and unlawful suspension and irregular and malicious disciplinary actions taken against him. Legal costs will also be incurred	278 000	-
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Interest claim on shortfall in annual earning of the Cape Joint Pension Fund	45 843	12 378
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7 Applications for interdict and unlawful land use	10 602	10 602
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3 Applications for interdict and national building regulations	3 530	3 530
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1 Application for interdict, unlawful land use and national building regulations	1 511	1 511
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1 Application for interdict and national building regulations and unsafe house	2 337	2 337
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1 Application for eviction of illegal occupant	1 771	1 771
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Actions taken to collect outstanding monies amounting to R 188 748 (Cooke)	2 000	2 000
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503 294	147 829
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48 RELATED PARTIES

48.1 Services and rates - Councillors and Key Management

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public.

48.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 15 to the Annual Financial Statements.

48.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 25 to the Annual Financial Statements.

48.4 Other related party transactions

The following purchases were made during the year where Councillors or Management have an interest:

<u>Councillor/Staff Member</u>	<u>Entity</u>	2011 R	2010 R
MJ Koch	Central Motors	-	75 611

SWELLENDAM MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

49 PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

49.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

* Refuse tip-sites financed by way of a provision

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

49.2 GRAP 100 - Non-current assets and discontinued operations

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.

49.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of identifying all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

49.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

- * Computer Software;
- * Intangible assets financed by way of finance leases;
- * Intangible assets transferred as a result of the transfer of functions; and
- * Servitudes.

The municipality is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2012 financial statements. It is possible that certain intangible assets are currently being measured as Property, Plant and Equipment.

49.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale
Water
Consumables

The municipality is currently in the process of identifying all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

SWELLENDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	28 813 899	1 487 662	-	30 301 561	23 117 442	55 709	-	23 173 151	7 128 410
Land	4 477 411	-	-	4 477 411	-	-	-	-	4 477 411
Buildings	7 157 446	14 967	-	7 172 412	7 122 660	1 981	-	7 124 641	47 771
Caravan Parks	86 286	-	-	86 286	14 371	2 874	-	17 245	69 041
Municipal Buildings	16 966 756	1 472 696	-	18 439 452	15 854 416	50 848	-	15 905 264	2 534 188
Municipal Houses	126 000	-	-	126 000	125 994	6	-	126 000	-
Infrastructure	117 083 386	34 402 211	-	151 485 596	28 298 154	6 837 509	-	35 135 663	116 349 934
Bridges, subways & culverts	292 124	-	-	292 124	55 182	9 731	-	64 913	227 211
Footways	47 529	-	-	47 529	14 255	2 375	-	16 630	30 898
Mains	11 000	-	-	11 000	11 000	-	-	11 000	-
Meters	49 750	-	-	49 750	10 352	3 314	-	13 666	36 084
Other	1 647 804	10 201 583	-	11 849 387	36 097	82 184	-	118 281	11 731 107
Other roads	33 226 183	16 105 865	-	49 332 048	9 420 643	3 207 094	-	12 627 737	36 704 311
Outfall sewers	2 265 994	-	-	2 265 994	368 958	113 222	-	482 180	1 783 814
Pump stations	413 698	-	-	413 698	77 074	19 662	-	96 735	316 963
Purification works	5 451 383	-	-	5 451 383	1 862 730	233 670	-	2 096 400	3 354 983
Reservoirs & tanks	6 193 508	-	-	6 193 508	2 370 378	299 970	-	2 670 348	3 523 160
Sewerage pump	106 804	-	-	106 804	71 800	6 716	-	78 515	28 288
Sewers	22 725 634	6 617 647	-	29 343 281	2 469 652	721 539	-	3 191 191	26 152 090
Supply/reticulation	44 121 735	1 477 116	-	45 598 851	11 314 645	2 118 104	-	13 432 748	32 166 103
Switchgear equipment	109 969	-	-	109 969	38 493	5 495	-	43 988	65 982
Traffic lights	26 113	-	-	26 113	14 045	1 305	-	15 350	10 763
Transformer kiosks	394 157	-	-	394 157	162 851	13 130	-	175 981	218 176
Community Assets	25 964 643	312 939	-	26 277 583	14 227 152	387 381	-	14 614 533	11 663 050
Cemeteries	282 386	-	-	282 386	50 091	8 907	-	58 999	223 387
Churches	6 000	-	-	6 000	6 000	0	-	6 000	-
Clinics/hospitals	1 473 000	-	-	1 473 000	1 472 933	67	-	1 473 000	-
Community Centres	6 151 174	93 050	-	6 244 224	925 989	193 838	-	1 119 827	5 124 397
Hostels - workers	51 301	-	-	51 301	15 389	1 709	-	17 098	34 203
Housing Scheme	1 794 539	-	-	1 794 539	-	-	-	-	1 794 539
Indoor Sports	938 576	59 820	-	998 396	593 349	14 569	-	607 917	390 478
Informal Housing	366 447	-	-	366 447	36 653	12 207	-	48 860	317 588
Libraries	3 148 415	-	-	3 148 415	457 576	104 875	-	562 452	2 585 964
Office Buildings	647 385	-	-	647 385	236 748	21 565	-	258 313	389 072
Old Age Homes	125 000	-	-	125 000	124 994	6	-	125 000	-
Outdoor sports facilities	826 113	-	-	826 113	813 340	590	-	813 930	12 183
Parks	9 686 509	-	-	9 686 509	9 355 070	13 466	-	9 368 536	317 973
Public conveniences/bathhouses	96 916	-	-	96 916	16 657	3 228	-	19 886	77 030
Tip sites	172 453	160 070	-	332 523	42 990	5 745	-	48 734	283 789
Workshop	198 430	-	-	198 430	79 372	6 610	-	85 982	112 448
Lease Assets	2 828 623	-	(2 536 064)	292 559	2 583 607	188 493	(2 513 146)	258 954	33 605
Office Machines (Lease)	397 919	-	(105 360)	292 559	267 714	73 682	(82 442)	258 954	33 605
Vehicles (Lease)	2 430 704	-	(2 430 704)	-	2 315 893	114 811	(2 430 704)	-	-

SWELLEDAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Other Assets	8 384 029	2 834 018	-	11 218 047	4 197 959	1 179 642	-	5 377 601	5 840 446
Access control	-	-	-	-	-	-	-	-	-
Air conditioners	108 515	33 020	-	141 535	52 904	14 845	-	67 749	73 786
Bulk containers	-	-	-	-	-	-	-	-	-
Cabinets/cupboards	136 413	8 868	-	145 280	30 485	6 853	-	37 339	107 942
Chairs	32 250	14 171	-	46 421	3 778	1 702	-	5 480	40 941
Computer hardware	684 671	87 220	-	771 891	208 875	121 217	-	330 092	441 799
Fencing	-	-	-	-	-	-	-	-	-
General plant	601 008	-	-	601 008	386 865	80 659	-	467 524	133 484
Generator	112 791	7 390	-	120 181	70 775	18 155	-	88 930	31 251
Graders	1 148 080	-	-	1 148 080	178 545	101 421	-	279 966	868 115
Household refuse bins	-	-	-	-	-	-	-	-	-
Irrigation systems	-	-	-	-	-	-	-	-	-
Lawnmowers	137 214	12 585	-	149 799	32 708	11 589	-	44 297	105 502
Mechanical horses	1 037 157	-	-	1 037 157	585 612	53 416	-	639 028	398 129
Miscellaneous furniture	129 104	13 504	-	142 607	13 969	13 107	-	27 076	115 531
Office machines	193 966	5 618	-	199 584	36 282	34 766	-	71 048	128 536
Other land	-	-	-	-	-	-	-	-	-
Radio equipment	95 259	35 710	-	130 969	60 075	13 122	-	73 197	57 771
Security systems	-	-	-	-	-	-	-	-	-
Studies and Systems	-	-	-	-	-	-	-	-	-
Tables/desks	80 443	58 226	-	138 669	10 963	4 358	-	15 321	123 347
Telecommunication equipment	167 153	-	-	167 153	165 756	660	-	166 415	738
Tipplers	217 190	-	-	217 190	168 657	6 929	-	175 585	41 605
Tools	59 110	108 898	-	168 008	17 049	10 240	-	27 290	140 718
Town planning	-	-	-	-	-	-	-	-	-
Tracktors	231 143	-	-	231 143	147 709	13 497	-	161 206	69 937
Transport facilities	-	-	-	-	-	-	-	-	-
Trucks/bakkies	2 749 402	2 448 810	-	5 198 212	1 880 670	598 790	-	2 479 460	2 718 752
Vehicles	463 160	-	-	463 160	146 284	74 315	-	220 598	242 562
	183 074 579	39 036 830	(2 536 064)	219 575 346	72 424 313	8 648 734	(2 513 146)	78 559 901	141 015 444

30 JUNE 2010

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	28 778 961	34 937	-	28 813 899	22 307 886	809 555	-	23 117 442	5 696 457
Land	4 477 411	-	-	4 477 411	-	-	-	-	4 477 411
Buildings	7 157 446	-	-	7 157 446	6 884 242	238 418	-	7 122 660	34 786
Caravan Parks	86 286	-	-	86 286	11 497	2 874	-	14 371	71 915
Municipal Buildings	16 931 819	34 937	-	16 966 756	15 290 351	564 066	-	15 854 416	1 112 340
Municipal Houses	126 000	-	-	126 000	121 797	4 197	-	125 994	6
Infrastructure	88 580 912	28 502 474	-	117 083 386	22 538 397	5 759 757	-	28 298 154	88 785 232
Bridges, subways & culverts	292 124	-	-	292 124	45 452	9 731	-	55 182	236 941
Footways	47 529	-	-	47 529	11 881	2 375	-	14 255	33 273
Mains	11 000	-	-	11 000	11 000	-	-	11 000	-
Meters	49 750	-	-	49 750	7 037	3 314	-	10 352	39 399
Other	69 203	1 578 602	-	1 647 804	32 789	3 308	-	36 097	1 611 708
Other roads	27 089 533	6 136 651	-	33 226 183	6 676 450	2 744 193	-	9 420 643	23 805 540
Outfall sewers	2 265 994	-	-	2 265 994	255 736	113 222	-	368 958	1 897 036
Pump stations	211 381	202 317	-	413 698	67 497	9 577	-	77 074	336 625
Purification works	4 147 480	1 303 903	-	5 451 383	1 655 498	207 232	-	1 862 730	3 588 653
Reservoirs & tanks	5 823 632	369 876	-	6 193 508	2 088 889	281 489	-	2 370 378	3 823 130
Sewerage pump	106 804	-	-	106 804	65 084	6 716	-	71 800	35 004
Sewers	14 346 746	8 378 888	-	22 725 634	1 752 806	716 846	-	2 469 652	20 255 982
Supply/reticulation	33 589 498	10 532 237	-	44 121 735	9 672 819	1 641 825	-	11 314 645	32 807 091
Switchgear equipment	109 969	-	-	109 969	32 998	5 495	-	38 493	71 476
Traffic lights	26 113	-	-	26 113	12 740	1 305	-	14 045	12 068
Transformer kiosks	394 157	-	-	394 157	149 722	13 130	-	162 851	231 306

SWELLEN DAM MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Community Assets	24 524 644	1 440 000	-	25 964 643	13 454 153	772 999	-	14 227 152	11 737 491
Cemeteries	282 386	-	-	282 386	40 685	9 406	-	50 091	232 294
Churches	6 000	-	-	6 000	5 800	200	-	6 000	0
Clinics/hospitals	1 473 000	-	-	1 473 000	1 423 866	49 066	-	1 472 933	67
Community Centres	5 603 421	547 753	-	6 151 174	739 337	186 653	-	925 989	5 225 185
Hostels - workers	51 301	-	-	51 301	13 680	1 709	-	15 389	35 912
Housing Scheme	1 546 156	248 383	-	1 794 539	-	-	-	-	1 794 539
Indoor Sports	938 576	-	-	938 576	562 084	31 264	-	593 349	345 227
Informal Housing	366 447	-	-	366 447	24 447	12 207	-	36 653	329 794
Libraries	2 739 139	409 276	-	3 148 415	359 877	97 699	-	457 576	2 690 839
Office Buildings	449 372	198 013	-	647 385	220 814	15 933	-	236 748	410 637
Old Age Homes	125 000	-	-	125 000	120 830	4 164	-	124 994	6
Outdoor sports facilities	826 113	-	-	826 113	785 821	27 518	-	813 340	12 773
Parks	9 686 509	-	-	9 686 509	9 032 408	322 663	-	9 355 070	331 438
Public conveniences/bathhouses	60 341	36 576	-	96 916	14 495	2 162	-	16 657	80 259
Tip sites	172 453	-	-	172 453	37 245	5 745	-	42 990	129 463
Workshop	198 430	-	-	198 430	72 762	6 610	-	79 372	119 058
Lease Assets	4 239 258	-	(1 410 636)	2 828 623	3 402 217	592 026	(1 410 636)	2 583 607	245 016
Office Machines (Lease)	529 311	-	(131 392)	397 919	300 470	98 636	(131 392)	267 714	130 205
Vehicles (Lease)	3 709 948	-	(1 279 244)	2 430 704	3 101 747	493 390	(1 279 244)	2 315 893	114 811
Other Assets	5 908 533	2 475 496	-	8 384 029	3 592 014	605 946	-	4 197 959	4 186 070
Access control	-	-	-	-	-	-	-	-	-
Air conditioners	69 697	38 818	-	108 515	38 726	14 178	-	52 904	55 611
Bulk containers	-	-	-	-	-	-	-	-	-
Cabinets/cupboards	106 227	30 186	-	136 413	24 841	5 644	-	30 485	105 928
Chairs	27 397	4 853	-	32 250	2 366	1 412	-	3 778	28 473
Computer hardware	367 100	317 571	-	684 671	139 415	69 460	-	208 875	475 796
Fencing	-	-	-	-	-	-	-	-	-
General plant	601 008	-	-	601 008	306 191	80 674	-	386 865	214 143
Generator	112 791	-	-	112 791	50 547	20 228	-	70 775	42 016
Graders	145 180	1 002 900	-	1 148 080	139 179	39 366	-	178 545	969 535
Household refuse bins	-	-	-	-	-	-	-	-	-
Irrigation systems	-	-	-	-	-	-	-	-	-
Lawnmowers	44 307	92 907	-	137 214	29 916	2 792	-	32 708	104 506
Mechanical horses	1 037 157	-	-	1 037 157	532 197	53 416	-	585 612	451 545
Miscellaneous furniture	28 265	100 839	-	129 104	7 905	6 064	-	13 969	115 135
Office machines	68 745	125 221	-	193 966	21 687	14 595	-	36 282	157 684
Other land	-	-	-	-	-	-	-	-	-
Radio equipment	65 426	29 833	-	95 259	54 405	5 670	-	60 075	35 184
Security systems	-	-	-	-	-	-	-	-	-
Studies and Systems	-	-	-	-	-	-	-	-	-
Tables/desks	49 914	30 529	-	80 443	7 684	3 279	-	10 963	69 480
Telecommunication equipment	167 153	-	-	167 153	160 043	5 713	-	165 756	1 398
Tipplers	217 190	-	-	217 190	161 728	6 929	-	168 657	48 533
Tools	25 917	33 193	-	59 110	12 539	4 510	-	17 049	42 061
Town planning	-	-	-	-	-	-	-	-	-
Tracktors	231 143	-	-	231 143	134 212	13 497	-	147 709	83 434
Transport facilities	-	-	-	-	-	-	-	-	-
Trucks/bakkies	2 375 713	373 690	-	2 749 402	1 648 111	232 559	-	1 880 670	868 733
Vehicles	168 203	294 957	-	463 160	120 322	25 962	-	146 284	316 876
	152 032 308	32 452 907	(1 410 636)	183 074 579	65 294 668	8 540 283	(1 410 636)	72 424 313	110 650 266

Reconciliation of property plant and equipment

Balance previously reported	158 737 168	28 958 861	-	187 696 030	68 494 916	9 698 608	-	78 193 524	109 502 506
Correction of error - Refer to note 32.01	(6 704 861)	3 494 046	(1 410 636)	(4 621 451)	(3 200 249)	(1 158 326)	(1 410 636)	(5 769 211)	1 147 760
	152 032 308	32 452 907	(1 410 636)	183 074 579	65 294 668	8 540 283	(1 410 636)	72 424 313	110 650 266

12 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;
 Property, Plant and Equipment financed by way of provisions;
 Property, Plant and Equipment transferred as a result of the transfer of functions; and
 Componentised infrastructure assets.

The municipality is currently in a process of componentising all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

The municipality therefore utilised the transitional provision in the following areas

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

APPENDIX A - Unaudited
SWELLENDAAM LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 JUNE 2010	Correction	Balance at 1 JULY 2010 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
ANNUITY LOANS			R	R	R	R	R	R
L.F.P.O.- SEWERAGE(INDUSTRIAL) - LOAN FUND	15.90%	2013	66 491	-	66 491	-	18 885	47 606
STREETS - DBSA	8.25%	2021	337 740	-	337 740	-	30 704	307 036
UPGRADING OF ELECTRICAL NETWORK - DBSA	8.70%	2021	1 210 500	-	1 210 500	-	105 261	1 105 239
INFRASTRUCTURE - DBSA	8.70%	2017	773 962	-	773 962	-	103 195	670 767
INFRASTRUCTURE - PHASE 2 - DBSA	10.56%	2024	4 444 602	-	4 444 602	-	149 792	4 294 809
INFRASTRUCTURE - PHASE 4 - DBSA	9.26%	2017	4 334 464	-	4 334 464	-	464 684	3 869 780
INFRASTRUCTURE - PHASE 3 - DBSA	8.89%	2025	4 482 827	-	4 482 827	-	143 198	4 339 629
INFRASTRUCTURE - 2007 - DBSA	11.12%	2029	1 692 007	-	1 692 007	2 762 360	151 005	4 303 362
INFRASTRUCTURE - 2008 - DBSA	12.20%	2030	-	-	-	20 018 334	271 156	19 747 178
Total Annuity Loans			17 342 593	-	17 342 593	22 780 694	1 437 881	38 685 407
LEASE LIABILITY								
Vehicles and office equipment			276 307	-	276 307	-	232 997	43 310
Total Lease Liabilities			276 307	-	276 307	-	232 997	43 310
TOTAL EXTERNAL LOANS			17 618 900	-	17 618 900	22 780 694	1 670 878	38 728 717

APPENDIX B - Unaudited
SWELLENDAAM LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	146 368	26 310	-	172 678	21 162	21 746	-	42 908	129 770
Budget & Treasury Office	823 484	100 423	(105 360)	818 547	381 351	131 880	(82 442)	430 789	387 758
Corporate Services	26 823 790	804 995	-	27 628 785	24 861 617	113 317	-	24 974 934	2 653 850
Planning & Development	14 594 545	232 337	(2 430 704)	12 396 178	4 664 732	556 449	(2 430 704)	2 790 477	9 605 701
Community & Social Services	9 837 777	146 613	-	9 984 390	1 522 331	344 349	-	1 866 679	8 117 711
Public Safety	438 799	570 476	-	1 009 274	292 235	56 020	-	348 256	661 019
Sport & Recreation	11 909 982	1 104 708	-	13 014 690	11 059 315	121 487	-	11 180 802	1 833 888
Waste Management	659 680	1 651 886	-	2 311 566	530 217	233 952	-	764 169	1 547 397
Waste Water Management	25 703 261	6 599 088	-	32 302 349	3 294 981	944 771	-	4 239 751	28 062 598
Road Transport	34 821 819	26 307 448	-	61 129 266	9 600 000	3 360 731	-	12 960 731	48 168 535
Water	56 256 795	1 464 565	-	57 721 360	15 660 280	2 674 912	-	18 335 192	39 386 168
Electricity	1 058 280	27 983	-	1 086 263	536 094	89 120	-	625 214	461 049
TOTAL	183 074 579	39 036 830	(2 536 064)	219 575 346	72 424 314	8 648 734	(2 513 146)	78 559 902	141 015 444

APPENDIX B - Unaudited
SWELLENDAAM LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Building Control	1 578 602	-	-	1 578 602	-	78 876	-	78 876	1 499 726
Caravan Park	92 155	-	-	92 155	16 712	3 506	-	20 218	71 937
Cemetery	318 098	-	-	318 098	67 945	10 692	-	78 637	239 461
Community Services	1 787 946	27 300	-	1 815 246	1 575 178	12 688	-	1 587 866	227 380
Corporate Services	194 947	765 225	-	960 172	49 619	26 314	-	75 933	884 239
Council General Expenses	111 493	26 310	-	137 803	18 482	15 941	-	34 423	103 380
Electricity Admin	412 196	8 834	-	421 030	248 710	48 959	-	297 669	123 361
Electricity Network	619 972	477 618	-	1 097 590	273 339	38 465	-	311 804	785 786
Engineering Services	5 753 403	232 337	(2 430 704)	3 555 036	4 289 409	451 726	(2 430 704)	2 310 431	1 244 605
Financial Services	823 484	100 423	(105 360)	818 547	381 351	131 880	(82 442)	430 789	387 758
Halls	4 075 427	48 110	-	4 123 537	799 830	131 105	-	930 935	3 192 602
Housing	-	-	-	-	-	-	-	-	-
Irrigation Water	-	-	-	-	-	-	-	-	-
Library (comm)	3 210 072	-	-	3 210 072	483 171	112 898	-	596 069	2 614 003
Municipal Manager	34 875	-	-	34 875	2 680	5 805	-	8 485	26 390
Office Buildings	24 840 896	12 470	-	24 853 366	23 236 820	74 315	-	23 311 135	1 542 231
Parks	10 053 138	1 104 708	-	11 157 846	9 635 914	102 822	-	9 738 737	1 419 110
Roads	34 821 819	19 436 602	-	54 258 421	9 600 000	3 360 731	-	12 960 731	41 297 690
Sewerage Network	25 648 799	108 119	-	25 756 917	3 240 518	944 771	-	4 185 289	21 571 628
Sewerage Purification	54 462	6 490 970	-	6 545 432	54 462	-	-	54 462	6 490 970
Sports Grounds	1 764 689	-	-	1 764 689	1 406 688	15 159	-	1 421 848	342 841
Storm Water	-	6 870 845	-	6 870 845	-	-	-	-	6 870 845
Street Lights	26 113	18 330	-	44 443	14 045	1 696	-	15 741	28 702
Thusong Multi Purpose Centre	2 234 181	98 502	-	2 332 683	171 385	89 654	-	261 039	2 071 645
Town Planning	7 262 540	-	-	7 262 540	375 323	25 847	-	401 170	6 861 370
Traffic & Licencing	438 799	570 476	-	1 009 274	292 235	56 020	-	348 256	661 019
Vehicle Testing Station	-	-	-	-	-	-	-	-	-
Waste Management	659 680	1 651 886	-	2 311 566	530 217	233 952	-	764 169	1 547 397
Waste Water Management	-	-	-	-	-	-	-	-	-
Water Network	50 796 892	819 192	-	51 616 084	13 790 408	2 441 160	-	16 231 568	35 384 517
Water Purification	5 459 903	168 573	-	5 628 476	1 869 873	233 751	-	2 103 624	3 524 852
TOTAL	183 074 579	39 036 830	(2 536 064)	219 575 346	72 424 314	8 648 734	(2 513 146)	78 559 902	141 015 444

APPENDIX C - Unaudited
SWELLENHAM LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
19 789 820	(8 031 997)	11 757 823	Executive & Council	23 081 897	(9 420 525)	13 661 372
9 259 234	(15 861 056)	(6 601 823)	Budget & Treasury	9 113 491	(19 848 851)	(10 735 360)
7 091 031	(11 560 809)	(4 469 778)	Corporate Services	1 500 098	(8 921 745)	(7 421 647)
1 461 628	(6 873 791)	(5 412 163)	Planning & Development	1 442 117	(6 081 465)	(4 639 349)
-	-	-	Health	-	-	-
502 934	(2 842 594)	(2 339 660)	Community & Social Services	496 858	(3 626 514)	(3 129 656)
3 690 605	(4 596 615)	(906 010)	Public Safety	3 377 943	(4 293 903)	(915 960)
510 749	(5 012 159)	(4 501 411)	Sport & Recreation	640 964	(5 189 815)	(4 548 851)
5 070 402	(4 018 182)	1 052 220	Waste Management	5 681 757	(4 174 708)	1 507 049
17 062 890	(6 843 496)	10 219 394	Waste Water Management	17 270 993	(5 864 627)	11 406 366
3 667 788	(8 898 064)	(5 230 276)	Road Transport	29 318 123	(13 138 386)	16 179 737
14 491 710	(8 740 085)	5 751 625	Water	13 160 694	(10 628 577)	2 532 117
32 579 535	(27 414 063)	5 165 472	Electricity	43 161 706	(33 890 297)	9 271 409
						-
115 178 327	(110 692 911)	4 485 415	Sub Total	148 246 639	(125 079 411)	23 167 227
(5 872 193)	5 872 193	-	Less Inter-Departmental Charges	(7 179 087)	7 179 087	-
109 306 134	(104 820 719)	4 485 415	Total	141 067 552	(117 900 325)	23 167 227

APPENDIX D - Unaudited
SWELLENDAAM MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 30 JUNE 2010	Corrections	Restated Balance 1 JULY 2010	Contributions during the year	Interest on Investments	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011
	R	R	R	R	R	R	R	R
Transformation Costs	1 076	-	1 076	-	-	-	-	1 076
Social Plan Fund	23 992	-	23 992	-	1 172	-	-	25 163
Swellendam Festival	7	-	7	-	-	-	-	7
Upgrade: Library Suurbraak	520	-	520	-	-	-	-	520
Structure Plan	921	-	921	-	45	-	-	967
Disaster Management System	5 894	-	5 894	-	-	-	-	5 894
Project Preparation	7 700	-	7 700	-	-	-	-	7 700
Vegetable Project - Barrydale	83 486	-	83 486	-	2 595	6 592	-	79 488
Economic Development Plan	50 000	-	50 000	-	-	-	-	50 000
Financial Management Grant	-	-	-	3 000 000	-	3 000 000	-	-
Multi-purpose Centrum - Salaries	82 174	-	82 174	-	-	-	-	82 174
Multi-purpose Centrum	115 725	-	115 725	-	-	-	-	115 725
Electricity Master plan	11	-	11	-	-	-	-	11
Library Services	-	-	-	300 000	-	300 000	-	-
MSIG - Municipal Systems Improvement Grant	(133 481)	-	(133 481)	750 000	-	616 519	-	-
Municipal Infrastructure Grant	2 267 581	3 120	2 270 701	5 625 000	-	381 250	6 930 643	583 807
Emergency Housing - Malgas	33 622	-	33 622	-	-	-	-	33 622
Flood damage	37 250 480	-	37 250 480	-	-	1 542 506	27 772 117	7 935 857
Masabanbane Projects	9 248	-	9 248	-	-	-	-	9 248
Equitable Share	-	-	-	15 267 066	-	15 267 066	-	-
Housing Project	292 854	-	292 854	2 229 371	-	276 483	-	2 245 742
EMP Railton Erf 5269	9 375	-	9 375	-	-	-	-	9 375
National Electrification Programme	63 514	(474 918)	(411 404)	411 404	-	-	-	-
Total	40 164 698	-471 798	39 692 900	27 582 840	3 812	21 390 416	34 702 761	11 186 375